

Minneapolis Community Development Agency

Request for City Council Committee Action

Date: October 28, 2002

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

Prepared by, Willie Adams, Financial Analyst II, Phone 612-673-5066

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$1,500,000 in Tax-exempt Bonds and \$4,500,000 in Taxable Minneapolis Community Development Agency, Limited Tax Supported Development Revenue Bonds, Common Bond Fund, Series 2002, for Zip Sort, Inc. to be issued through the MINNEAPOLIS COMMON BOND FUND.

Previous Directives: This project received Preliminary Approval in June 2001. Because of some easement on the property, the sellers and the buyer decided to cancel the transaction.

Neighborhood Group Notification: The Marshall Terrace neighborhood has been notified.

Consistency with *Building a City that Works*:

Goal 1: Increase the City's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents.

Objective A: Provide opportunities that create more living wage jobs in the City.

Strategy 2: Provide funding to assist businesses with the creation and retention of living wage jobs. Assist healthy and start-up Minneapolis companies with financing and regulatory issues in order to retain and create new employment in the City.

Goal 3: Support strong and diverse neighborhoods where people choose to live.

Objective B: Eliminate barriers and blighting influences that prevent or inhibit healthy neighborhood environments and economies.
Strategy 3: Provide funds for improving existing buildings or constructing new ones.

Comprehensive Plan Compliance: The Planning Department has the project under review.

Zoning Code Compliance: The project site is zoned I2.

Impact on the MCDA Budget:

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact (Explain): The issuance of Revenue Bonds will generate annual administrative fees of \$23,625.00 to support the small business activities of the City.

Living Wage/Business Subsidy: Business Subsidy does not apply to projects that receive funds from bonds allocated under Minnesota Statutes, Chapter 474A, refunding bonds and 501(c)(3) bonds.

Job Linkage: The project will enter into a job linkage agreement prior to the bond closing.

Affirmative Action Compliance: The project is consulting with the City's Civil Rights Department in order to comply with the Affirmative Action requirement.

RECOMMENDATION:

The Interim Executive Director requests pursuant to MCDA Resolution No. 87-171M adopted by the Board of Commissioners of the Minneapolis Community Development Agency on July 16, 1987, that these Common Fund Bonds be designated, if and when issued, as bonds entitled to the Security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

The Interim Executive Director recommends that the Minneapolis City Council adopt the attached Resolution, a summary of which will be published, following a public hearing held on October 28, 2002, notice of which was published in the FINANCE AND COMMERCE on October 12, 2002, giving Preliminary and Final Approval of up to \$1,500,000 in Tax-exempt and \$4,500,000 in Taxable Minneapolis Community Development Agency, Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2002, for Zip Sort, Inc., to be issued through the MINNEAPOLIS COMMON BOND FUND and designating the bonds as bonds entitled to the security provided by Ordinance No. 87-OR-084, Tax Reserve and Pledge Ordinance.

The Interim Executive Director further recommends that the City Council forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached resolution; giving Preliminary and Final Approval of up to \$1,500,000 in Tax-exempt and \$4,500,000 Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2002, for Zip Sort, Inc. to be issued through the MINNEAPOLIS COMMON BOND FUND.

Background/Supporting Information

PROJECT LOCATION & DESCRIPTION:

The project is located at 63 St. Anthony Parkway and consists of 148,800 square feet of space.

Zip Sort, Inc. is the major operating company in the building and will extend a lease to Despatch Industries Limited Partnership. Zip Sort was purchased in 1987 by the majority stockholder, Leo Polack. The company was previously known as Minneapolis Zip Sort. The company originated after the United States Postal Service initiated presort discounts for first class mail. During the time of development of presort mail, Zip Sort, Inc. also established a letter shop operation for its customers. Through the process of growth and acquisitions, Zip Sort, Inc. established itself as a major enterprise in the regional market.

From the mid 1990's to the present, Zip Sort, Inc. has acquired additional business entities in the Cities of Duluth and St. Cloud, Minnesota, and Milwaukee and Madison in Wisconsin.

With a combination of excellent employees and automated equipment, a focus on service expansion and quality customers evolved and the company experienced exponential growth and development. In 1993 this effort was recognized when the company received the United States Postal Service Industry Excellence Award.

The company maintains databases, physical inventories for statements and envelopes, prints and/or addresses documents for other companies and organizations. Zip Sort will print, barcode, apply the postage and sort and deliver to the Post Office or other shippers. Some of the company's major customers are Discover Financial, Mayo Clinic, Lasermark Bureau of Collections and American Express Financial.

Zip Sort, Inc. is proposing to purchase an existing 150,000 square foot facility located at 63 St. Anthony Parkway. The project will require some electrical updating and the installation of new operating equipment.

TYPE OF FINANCING:

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Sources:

Taxable Revenue Bonds	\$4,500,000
Tax-exempt Revenue Bonds	1,500,000
Equity	600,000
Total Sources	<u>\$6,600,000</u>

Uses:

Purchase Land and Building	\$4,500,000
Electrical	60,000
Equipment	1,500,000
Rehab	540,000
Total Uses	<u>\$6,600,000</u>

PRESENT EMPLOYMENT:

Zip Sort currently employs 182 people, of which 86 live in the City of Minneapolis.

NEW EMPLOYMENT:

There will be approximately 20 new employment opportunities created.

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE:

The Assessors Office has the project under review. The project is currently paying \$165,261.92.

AFFIRMATIVE ACTION COMPLIANCE:

The project is consulting with the City's Civil Rights Department in order to comply with the Affirmative Action requirement.

MCDA IRB POLICIES:

Job Component

Minimum standard of one (1) job per 1,000 square feet of building area.

Zip Sort: This project will have 1.2 jobs per 1,000 square feet.

Property Improvements

No more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.

Zip Sort: Zip Sort will be purchasing an

existing building and will invest 5% in rehabilitation. However, this 5% financing is a taxable bond. Thus this project does not have a 15% rehab requirement.

Development Standards

Compliance with the Land Use Plan of the City's Comprehensive Plan.

Zip Sort: The City Planning Department has the project under review

Equipment Financing

Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture.

Zip Sort: 25% of the bond will be used to purchase operating equipment that will not be easily movable.

Restaurant/Bank

IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an MCDA Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.

Zip Sort: N.A.

Tax-exempt Institution

Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.

Zip Sort: N.A.

IRB CAP:

The project is subject to the State's limit on tax-exempt bond financing. An Allocation for tax-exempt bonding authority will be requested from the State following Preliminary Approval.

The \$4,500,000 taxable bonds are not subject to the volume cap in that there is no volume limitation for Taxable Revenue Bonds.

BOND COUNSEL:

Gray, Plant & Mooty

FINANCIAL ADVISOR:

Dougherty & Company, LLC

REVIEW BY THE COMMON BOND
FUND COORDINATING COMMITTEE:

An initial review of the project was made at the meeting on October 2, 2002.

Giving preliminary approval to and authorizing a project on behalf of Zip Sort, Inc., and authorizing the issuance of revenue bonds or notes of the Minneapolis Community Development Agency therefor, payable primarily from revenues derived pursuant to a revenue agreement.

WHEREAS, the City Council, by Ordinance No. 81-Or-017, as amended by Ordinance No. 82-Or-076, reorganized and renamed the Housing and Redevelopment Authority in and for the City of Minneapolis as the Minneapolis Community Development Agency (the "Former Agency"), and granted additional powers and duties pursuant to Minnesota Laws of 1980, Chapter 595; and

WHEREAS, the City Council, by Ordinance No. 86-Or-035, renamed the Former Agency as the Minneapolis Public Housing Authority in and for the City of Minneapolis and created a new public corporation named the Minneapolis Community Development Agency (the "Agency") to which it granted the development powers of the Former Agency and to which it extended the development obligations of the Former Agency; and

WHEREAS, pursuant to Minnesota Laws of 1980, Chapter 595, Ordinance No. 81-Or-017, as amended, and Ordinance No. 86-Or-035, as amended, of the City Council and Minnesota Statutes, Sections 469.152 through 469.1651 (collectively, the "Act"), the Agency is authorized to issue revenue bonds or notes for the purpose of providing financing for the acquisition, construction, rehabilitation and installation of projects consisting of real and personal properties used or useful in connection with a revenue producing enterprise engaged in any business; and

WHEREAS, by Resolution No. 82-512, adopted by the Former Agency on December 15, 1982, as amended, the Former Agency established a certain common bond fund and provided for the issuance from time to time by the Agency of economic development revenue bonds to be secured thereby ("Common Fund Bonds"); and

WHEREAS, pursuant to Ordinance No. 86-Or-035, as amended by the Minneapolis City Council on June 27, 1986, the Agency has authority to issue Common Fund Bonds and is the successor to the Former Agency for purposes of Common Fund Bonds; and

WHEREAS, Zip Sort, Inc., a Minnesota corporation (the "Company"), has proposed to acquire, renovate and equip an approximately 148,000 square foot building to be used for printing and bulk mailing and located at 63 St. Anthony Parkway in the City of Minneapolis (the "Project"); and

WHEREAS, the Company has proposed that the Agency finance the Project by the issuance of its Common Fund Bonds under the Act, in the approximate amount of \$6,000,000 (the "Bonds"); and

WHEREAS, the City Council has been advised that in accordance with the Act, a public hearing on the proposal to finance the Project has been conducted by the Community Development Committee of the City Council on behalf of the Agency, preceded by notice thereof as required by the Act, and at such public hearing all parties were given an opportunity to express their views with respect to the proposed undertaking and financing of the Project;

WHEREAS, the City Council has been further advised that the proposed bond issue has been submitted to the Mayor and the Planning Commission of the City of Minneapolis at least fourteen (14) days prior to consideration hereof; and

WHEREAS, the Agency, by resolution adopted or to be adopted on the date hereof, has or will give preliminary approval to the Project in accordance with the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That the City Council hereby gives preliminary approval to the Project and the issuance by the Agency of its Bonds pursuant to the Act for the purpose of financing the Project in the aggregate sum of \$6,000,000 or such other amount approved by the Agency not exceeding such sum by more than ten percent (10%);

Be It Further Resolved that this approval by Ordinance No. 86-Or-035, as amended, of the City Council is hereby given as required.